

December 7, 2015

VIA ELECTRONIC FILING

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: WC Docket No. 11-42 – Lifeline and Link Up Reform and Modernization
NOTICE OF EX PARTE PRESENTATION**

Dear Ms. Dortch:

On behalf of my client, TracFone Wireless, Inc. (“TracFone”), this letter is submitted in response to the letter and accompanying presentation filed by AT&T Services, Inc. (“AT&T”) on November 23, 2015 in the above-captioned proceeding.

AT&T proposes a series of reforms to the Lifeline program. Some of those proposals are appropriate and TracFone supports their adoption. For example, TracFone agrees with AT&T that certain aspects of the administration of the Lifeline program should be performed by third parties rather than by providers of Lifeline-supported services. Specifically, determinations of applicant eligibility should be made by a third party verifier selected by the Commission and subject to Commission oversight. TracFone has suggested that the National Lifeline Accountability Database (NLAD), administered by the Universal Service Administrative Company (USAC), be enhanced and used for eligibility determinations - an idea with which AT&T has concurred.

Although TracFone supports the establishment of a third party eligibility verifier, it must strongly oppose AT&T’s suggestion that providers be removed from other enrollment functions including, for example, marketing and customer outreach, explaining program rules to consumers, and delivering Lifeline benefits to enrolled customers. Those functions are best performed by Lifeline providers themselves, not by government departments or other independent entities. Lifeline is a telecommunications service offered and delivered by telecommunications service providers. It is for the providers to identify target market customers, to promote their services to those prospective customers, to inform those prospective customers about the program and its governing requirements, and to obtain the customers’ application for enrollment. These are provider responsibilities which should not be offloaded to others to reduce the administrative burdens borne by any Lifeline provider.

Several aspects of AT&T’s proposals as set forth in its November 23 letter are puzzling. For example, it claims at p. 2 of its presentation that the current program is “inefficient for participating providers.” With more than 4.6 million enrolled low-income households, TracFone is the nation’s largest provider of Lifeline-supported services. It has not found those processes to

be inefficient. For nearly four years, AT&T has been informing the Commission that it no longer wants to provide Lifeline service and has asked that it (and other wireline telephone companies) be relieved of their obligation to provide Lifeline. (See, e.g., letter from Mary L. Henze, Assistant Vice President, Federal Regulatory, filed in this proceeding, January 24, 2012). In fact, AT&T has taken its campaign to get out of the Lifeline program to federal court. See AT&T, Inc. v. FCC, No. 15-1038, (D.C. Cir. Order granting motion to hold in abeyance, issued September 3, 2015). (AT&T already has abandoned the wireless portion of its Lifeline operations by shutting down Cricket Wireless's Lifeline program following its acquisition of that company). One cannot help but question the stated concern about program inefficiencies from a company which has spent much of the past four years attempting to win the right to terminate its participation in the program and ending its participation in that portion of its Lifeline program for which permission to terminate was not required. In contrast, TracFone remains staunchly committed to actively engaging qualified low-income households and encouraging their enrollment in Lifeline. Those outreach efforts are a cost of doing business – costs which should be borne by participating providers – not by USAC; not by the Commission; not by state and local government agencies and departments.

Another disconcerting aspect of AT&T's letter is its unsupported claim that current program processes "erect unnecessary impediments" to consumers' ability to switch providers (AT&T Presentation at 2). Attached hereto is a page from the USAC website which states the rule that Lifeline customers may only switch their Lifeline service to another provider once every sixty days. If changing Lifeline providers were subject to such (unidentified) "impediments" as claimed by AT&T, then there would be no need for a 60 day rule. The same USAC website page lists the information which a consumer must provide in order to change providers. These requirements are hardly burdensome. If there is a concern about the need for customers to first de-enroll from one provider's Lifeline service before enrolling in another provider's service, then that concern could be addressed by enhancing NLAD to enable the de-enrollment from one provider's service and enrollment in another provider's service to be simultaneous. TracFone's own experience contradicts AT&T's assertion regarding impediments to switching providers. More than 20,000 customers per week switch into or out of TracFone's SafeLink Wireless® Lifeline service. Since the inception of the NLAD in 2014, more than 1.5 million customers have transferred into or out of SafeLink® service. In short, AT&T's claim that there are impediments which preclude consumers from switching Lifeline providers "if they find a better deal" is unsupported, unsupportable, and incorrect.

A highly objectionable AT&T Lifeline proposal is that Lifeline eligibility "initially" be limited to a single program – the Supplemental Nutritional Assistance program (SNAP). Limiting Lifeline, itself a low-income-targeted assistance program, to a single low-income qualifying program makes no sense, would disserve the public interest, would undermine the basis for the Lifeline program, and, most importantly, would render ineligible for Lifeline assistance millions of low-income households which are Lifeline-eligible based upon factors other than SNAP enrollment.

One need look no further than Section 54.409(a) of the Commission's rules to understand why Lifeline eligibility should not be tied to a single qualifying program. Section 54.409(a)(3) allows states to establish their own additional Lifeline eligibility criteria (in addition to the income-based and program based criteria set forth at Section 54.409(a)(1) and (2) of the rules)). Section 54.409(a)(3) contains the following important language: "provided that such state-specific criteria are based solely on income **or other factors** directly related to income" (emphasis added). Importantly, the rule directs states to consider other factors related to income, not a single factor. Unquestionably, SNAP enrollment is a valid factor related to income. However, it is not the only factor related to income. The Commission has wisely codified in its rules a list of federal low-income support programs as Lifeline-qualifying programs. Enrollment in any of those programs reliably indicates that the enrollee household is low-income. Many qualified low-income households currently enrolled in Lifeline qualify through Medicaid, Temporary Assistance for Needy Families, Supplemental Security Income, and other qualifying programs. If the Commission were to act upon AT&T's proposal to eliminate each of those other qualifying programs and limit Lifeline eligibility to a single factor based on income, *i.e.*, SNAP enrollment, millions of low-income households would be stripped of their Lifeline eligibility and driven out of the program notwithstanding their participation on a program based on income, and notwithstanding their need for assistance.

The devastating impact on Lifeline availability which would result from limiting program eligibility to SNAP is illustrated by a January 2015 report prepared by the Center on Budget and Policy Priorities. That report, which is attached to this letter, indicates that approximately one million persons will lose their SNAP benefits in 2016 as a result of the return to a three month limit on SNAP benefits for adults aged 18-50 who are not disabled and are not raising minor children. AT&T's proposed SNAP-only limitation would deprive those one million low-income persons of Lifeline eligibility. A proposal which would take away from millions of low-income households their Lifeline eligibility would not achieve the program's goals and should be immediately rejected.

Having proposed to limit Lifeline eligibility to SNAP and thereby disqualify millions of qualified households, AT&T then purports to soften the blow by suggesting that "other qualifying programs could be added later" (AT&T Presentation at 10). Why would the Commission eliminate those programs only to bring them back at some indefinite time in the future? How would the goals of the Lifeline program (specifically, affordable telecommunications service to low-income households) be advanced if the programs upon which millions of consumers rely to demonstrate their Lifeline eligibility were eliminated? What would happen to the millions of currently-enrolled Lifeline households who have demonstrated their eligibility through participation in Lifeline-qualifying programs other than SNAP? What would happen to the many Medicaid members who have enrolled in Lifeline through their Health Maintenance Organizations and who rely on Lifeline as a means to enhance their access to health care? AT&T offers no answers to these critically important questions. TracFone respectfully submits that there are no satisfactory answers.

In the notice of proposed rulemaking in this proceeding, the Commission has proposed to add to the list of Lifeline-qualifying programs two programs which benefit low-income military veterans – the Veterans Pension program and the Veterans Affairs Supportive Housing program. Ensuring that low-income veterans should be able to receive Lifeline benefits would be the right thing to do and no commenter seriously disputed the wisdom of those proposals. Those who have fought for our country and who have fallen on hard times deserve no less. Yet, under AT&T's SNAP-only proposal, those important veterans assistance programs could not be included as Lifeline-qualifying programs.

Closely related to AT&T's SNAP-only Lifeline eligibility proposal is its suggestion that Lifeline enrollment be "coordinated with SNAP enrollment and that the responsibility for enrolling consumers in the Lifeline program be shifted to state and local SNAP administrators (AT&T Presentation at 11). At best, this proposal is a non-starter. The Commission does not manage SNAP; the United States Department of Agriculture (USDA) does. USDA put this proposal to rest in its comments in this proceeding by explaining to the Commission (and to AT&T) that it has no authority to require state and local SNAP administrators to participate in the Lifeline enrollment process. (See USDA comments at 1-2, and TracFone's reply comments at 17-18). AT&T's response to USDA's lack of authority to require state and local SNAP administrators to become involved with Lifeline is that USAC would "encourage" state and local agencies to take on these responsibilities **and** to cover their costs by using Universal Service Fund resources (AT&T Presentation at 11). USAC's functions and responsibilities are codified at Section 54.702 of the Commission's rules. Nowhere in that list of functions and responsibilities is there anything listed which could remotely be construed as directing USAC to "jawbone" with state and local governments to participate in the Lifeline enrollment process. Moreover, TracFone is not aware of a single state or local SNAP administrator that has indicated any willingness to allocate resources to participate in the Lifeline enrollment process. As for AT&T's suggestion that the Universal Service Fund "foot the bill" for hundreds of state and local SNAP administrators to enroll SNAP recipients in Lifeline, it is difficult to conjure up anything more antithetical to efficient utilization of USF resources (and related concerns about controlling fund growth and limiting further increases in the Universal Service Fund contribution factor) than paying for hundreds of state and local government agencies to manage important aspects of a federal telecommunications program.

AT&T's proposal to have Lifeline benefits delivered directly consumers through use of vouchers (or what AT&T euphemistically labels "Lifeline Benefit Accounts") would do nothing to prevent program fraud or make the Lifeline program more efficient. What it would do is unnecessarily complicate the program (especially for enrolled consumers) and would end the receipt of monthly Lifeline service automatically by millions of Lifeline customers – customers who rely on the simplicity, convenience, and dependable availability of Lifeline service. If ever there was a "solution in search of a problem," then AT&T's voucher/LBA proposal is that "solution." In its comments, TracFone explained in detail how Lifeline households' ability to continue to receive service each month without disruption would be impeded by a system which requires them to redeem their Lifeline service monthly at retail locations either operated by Lifeline providers or by independent retail vendors. Imposition of such a monthly redemption

requirement would be especially punitive for low-income households who reside in rural areas, the elderly, and the disabled.

As an alternative to traveling to retail locations monthly to redeem Lifeline benefits, AT&T suggests that customers could redeem their Lifeline benefits online. That suggestion disregards the reality that the broadband adoption rate among Lifeline-eligible low-income households is low and millions of Lifeline customers have no means to get online. AT&T's other suggested alternatives – debit cards, call centers, and U.S. Mail (a/k/a “snail mail”) are no less problematic. Many Lifeline customers are “unbanked” meaning that they operate on a cash basis with no checking accounts or credit cards. Moreover, the fees which many banks and other financial institutions charge to process payment media such as vouchers would create one more economic burden on millions of low-income households. In short, such a voucher or LBA system might be more “efficient” for certain providers, particularly those providers who already have expressed their desire to exit the program, but it would not be more efficient for enrolled Lifeline consumers. For such consumers, AT&T's voucher/LBA system would accomplish nothing other than unduly and unnecessarily complicate the process of obtaining Lifeline-supported service and increasing the “transaction costs” on those low-income households' receipt of Lifeline service. If adopted, such a system would be a significant impediment to providing continuous uninterrupted telecommunications service to low-income households.

For the reasons mentioned in the preceding paragraph and for other reasons, AT&T's voucher/LBA proposal has been widely discredited. Its November 23 ex parte letter presents a new argument for vouchers: AT&T asserts that a voucher system would enable retailers to become registered Lifeline providers! (AT&T Presentation at 13). Apparently, AT&T seeks to complicate consumers' ability to continue to receive Lifeline-supported service from one month to the next, increase the costs borne by Lifeline households in order to receive Lifeline service, and interfere with Lifeline providers' relationships with their customers so to enable Wal-Mart, Best Buy, local convenience stores, gas stations, and others to become Lifeline providers. Lifeline is a telecommunications service that should be provided by telecommunications service providers, not by retail merchants. In 2005, the Commission considered and rejected a proposal to allow retail vendors to obtain Lifeline-qualifying information and make eligibility determinations on behalf of Lifeline providers. Federal-State Joint Board on Universal Service; Petition of TracFone Wireless, Inc. for Forbearance from 47 U.S.C. § 214(e)(1)(A) and 47 C.F.R. § 54.201(i), 20 FCC Red 15095 at ¶ 19. Having limited the role of retail vendors in Lifeline more than a decade ago, the Commission should not retreat from that determination now to accommodate AT&T's voucher/LBA proposal and, in doing, so afford retail store operators the additional responsibilities not only to act on behalf of Lifeline providers, but to become Lifeline providers. Neither in its letter nor in its comments previously filed has AT&T offered any credible justification for its voucher/LBA proposal. That proposal should be rejected.

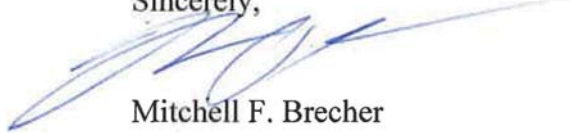
Notwithstanding the disagreements with certain aspects of AT&T's Lifeline reform recommendations as described in this letter, TracFone looks forward to continuing to work with AT&T and other stakeholders as well as with the Commission to identify Lifeline reform ideas which will lead to improved program management and operating efficiency, reduced program

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waste, fraud and abuse, and modernizing Lifeline to support broadband, while ensuring that Lifeline service remains affordable, available and customer friendly for those millions of low-income households who rely upon the program.

Pursuant to Section 1.1206 of the Commission's rules, this letter is being filed electronically. If there are questions, please communicate directly with undersigned counsel for TracFone.

Sincerely,



Mitchell F. Brecher

Attachments

Cc: Mr. Trent Harkrader
Mr. Ryan Palmer
Jay Schwarz, Ph.D
Ms. Garnet Hanly
Mr. Nathan Eagon
Ms. Jodie Griffin
Mr. Christian Hoefly
Mr. Eric Feigenbaum
Mr. Jon Wilkins

Attachments



What Is Lifeline? | Change My Company

CHANGE MY COMPANY

You may transfer your Lifeline discount to another company no more than once every sixty (60) days. To transfer your benefit to another company, contact a different company that offers Lifeline and ask them to transfer your Lifeline benefit to them.

The new company will need the following information from you to process your request:

Name

Date of birth

Last four digits of your Social Security number

Address

Phone number

Your consent (verbal or written)

You will be required to give your consent acknowledging that once the transfer is complete, you will lose your benefit with your previous company.

You will need to acknowledge that the new company has explained to you that you may not have more than one Lifeline benefit per household.

In most cases, you will not experience an interruption in service during this process. There are certain instances when you may be asked to provide verification of your identity for the Third Party Identity Verification (TPIV) process. Please provide the new company with the necessary documentation to process your request. See the list of acceptable documents.

January 5, 2015

Approximately 1 Million Unemployed Childless Adults Will Lose SNAP Benefits in 2016 as State Waivers Expire Affected Individuals Are Very Poor; Few Qualify for Other Help

By Ed Bolen

Roughly 1 million of the nation's poorest people will be cut off SNAP (formerly known as the Food Stamp Program) over the course of 2016, due to the return in many areas of a three-month limit on SNAP benefits for unemployed adults aged 18-50 who aren't disabled or raising minor children. These individuals will lose their food assistance benefits after three months regardless of how hard they are looking for work.

One of the harshest pieces of the 1996 welfare law, this provision limits such individuals to three months of SNAP benefits in any 36-month period when they aren't employed or in a work or training program for at least 20 hours a week. Even SNAP recipients whose state operates few or no employment programs for them and fails to offer them a spot in a work or training program — which is the case in most states — have their benefits cut off after three months irrespective of whether they are searching diligently for a job. Because this provision denies basic food assistance to people who want to work and will accept any job or work program slot offered, it is effectively a severe time limit rather than a work requirement, as such requirements are commonly understood. Work requirements in public assistance programs typically require people to look for work and accept any job or employment program slot that is offered but do *not* cut off people who are willing to work and looking for a job simply because they can't find one.

In the past few years, the three-month limit hasn't been in effect in most states. The 1996 welfare law allows states to suspend the three-month limit in areas with high and sustained unemployment; many states qualified due to the Great Recession and its aftermath and waived the time limit throughout the state. But as unemployment rates fall, fewer and fewer areas will qualify for waivers. We estimate that the number of states qualifying for state-wide waivers will fall to just a few states by 2016 and that approximately 1 million SNAP recipients will have their benefits cut off due to the time limit in fiscal year 2016.

The loss of this food assistance, which averages approximately \$150 to \$200 per person per month for this group, will likely cause serious hardship among many. Agriculture Department (USDA) data show that the individuals subject to the three-month limit have average monthly

income of approximately *19 percent of the poverty line*, and they typically qualify for no other income support.

The indigent individuals at risk are diverse. About 40 percent are women. Close to one-third are over age 40. Among those who report their race, about half are white, a third are African American, and a tenth are Hispanic. Half have only a high school diploma or GED. They live in all areas of the country, and among those for whom data on metropolitan status are available, about 40 percent live in urban areas, 40 percent in suburban areas, and 20 percent in rural areas.

Many in this population, which generally has limited education and skills and limited job prospects, struggle to find employment even in normal economic times. And although the overall unemployment rate is slowly falling, other labor market data indicate that many people who want to work still cannot find jobs, while others who want to work full time can find only part-time employment. Cutting off food assistance to poor unemployed and underemployed workers doesn't enable them to find employment or secure more hours of work.

Congress could revise this harsh rule to better accomplish its stated goal of testing individuals' willingness to work. For example, Congress could make the three-month limit in a given state contingent on the state offering a job or training position to all nondisabled childless adults subject to the limit who don't otherwise find employment. Congress could also allow diligent job search to count toward the requirement, as it generally does under work requirements for other programs.

But such congressional action seems unlikely. Consequently, states and local charities that work with this population need to prepare for the return of the three-month cut-off provision on a large scale. States need to be prepared to reinstate this complex rule properly and to engage stakeholders and prepare them for the consequences as substantial numbers of indigent individuals in their communities lose food assistance.

Very Few States Provide Work or Job Training to All Who Need It

Under the 1996 welfare law, adults aged 18-49 who are not physically or mentally unfit for work or caring for a minor child are *ineligible* for SNAP if they have received three months of SNAP benefits while unemployed during the previous 36 months. Months of SNAP receipt don't count toward the limit if the individual is working at least half-time, participating in qualifying work or training program activities for at least 20 hours a week, or living in an area with high unemployment where the three-month limit is temporarily waived. When signing the welfare law in 1996, President Clinton singled out this as one of the bill's most harmful provisions and called for it to be substantially changed.¹

Since states don't provide half-time employment opportunities to SNAP recipients, the only way that an unemployed person can maintain SNAP eligibility during normal economic times (i.e., when a high-unemployment waiver is unavailable) is to find 20 hours a week of job training, workfare, or another work program. As noted, job search, the lowest cost activity for a state to require and monitor, *does not count* as an allowable activity.

¹ President William Clinton, Statement on Signing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, August 22, 1996, <http://www.presidency.ucsb.edu/ws/?pid=53219> (accessed December 8, 2014).

Yet states aren't required to offer these recipients a place in a work or training program for 20 hours a week, and very few states do. This leaves it up to individuals who can't find a job to try to find training or work program openings on their own, which few are able to do, especially since most training programs have insufficient resources to meet demand, resulting in substantial waiting lists. A person who wants to work but is unable to find a job, and is willing to participate in job training but has no opportunity to do so, loses all of his or her SNAP benefits at the three-month point.

The welfare law allows states to request a temporary waiver of the three-month limit in areas with persistently high unemployment, an option that was critical to Congress' approval of the three-month cut-off. Then-representatives John Kasich (R-OH) and Rob Ney (R-OH), the three-month limit's authors in 1996, said on the House floor that the provision wouldn't have draconian effects for two reasons: 1) states would offer workfare programs to all people who couldn't find a job; and 2) states could seek waivers to suspend the three-month cut-off in localities with high unemployment or insufficient jobs. They presented the provision as one that would push people to look for work, provide them with a workfare slot if they couldn't find a job, and allow states to waive the requirement if there were insufficient jobs.²

But despite the authors' claims, the provision neither required states to offer workfare programs or job training to people who were unable to find a job nor provided funds to states for that purpose. Most states do not offer these programs, in part because operating a work program with enough slots for everyone at risk of hitting the three-month time limit is too expensive.

Each year, only about *five* states commit to provide a job training or workfare slot to every nondisabled childless adult at risk of losing SNAP benefits after three months. (Colorado, Delaware, South Dakota, Texas, and Wisconsin have pledged to offer a qualifying work slot in 2015 to every nondisabled childless adult subject to the three-month limit.³) States that offer a training slot to all individuals facing the time limit can receive a pro-rata share of \$20 million in federal funding to defray the cost. (The \$20 million annual fund was established in 1997 in response to criticism of the 1996 law.)

Each state also receives its share of the regular \$79 million in federal funding provided to states each year for SNAP employment and training programs. Most states, however, use the majority of the federal funds for programs and work-related services for other SNAP recipients, such as those with children.⁴ Moreover, these resources generally fall far short of the cost of providing work or training programs to all jobless individuals in a state who face the three-month cut-off, even if the state wanted to do so.

² *Congressional Record*, July 18, 1996, The Welfare and Medicaid Reform Act of 1996, House of Representatives, p. H7905, <http://thomas.loc.gov/cgi-bin/query/F?r104:2::/temp/~r104TcVs1H:e1119069>.

³ Delaware and Texas now impose the three-month limit statewide. The other states have said they will provide a qualifying work slot to individuals subject to the time limit in the areas of the state where the time limit is in effect in 2015.

⁴ States can receive additional SNAP employment and training funds beyond their share of this \$79 million *if* they match the additional federal funding on a dollar-for-dollar basis with state funds. Few states, however, use a substantial amount of SNAP employment and training funds to provide work or training program positions to individuals subject to the three-month cut-off.

In contrast, the temporary waiver option for areas with high unemployment has provided significant protection in the past few years for people facing the three-month limit. During the Great Recession, nearly every state suspended the time limit due to soaring unemployment. In stronger economic times, a smaller number of states with regions or counties with persistently high unemployment have received waivers for those areas.

Use of these high-unemployment waivers hasn't had a political dimension; every state except Delaware has used its waiver authority at some point over the last 18 years to temporarily suspend the three-month limit in at least part of the state so that poor jobless workers in high-unemployment areas would have access to food while looking for work. Governors of both parties have used this flexibility in high-unemployment areas of their states.

Today, with a job market that remains weak in many areas, over 40 states have waivers for some or all of their state for fiscal year 2015. Many of the states with waivers from the three-month limit impose regular SNAP work requirements on childless unemployed adults, and individuals who don't comply with the work requirements are subject to having their benefits cut off. But they are not terminated from SNAP simply for being unemployed, as long as they comply with their state's work requirements.

Most of these waivers, however, expire after 2015. At that point, based on current unemployment rates, at most only a few states appear likely to have high levels of statewide unemployment that would qualify them for a statewide waiver, and more than 1 million childless nondisabled adults will lose SNAP benefits in 2016. The number will be larger if states don't request waivers for high-unemployment areas within a state that continue to qualify for the waivers.

History Shows Many Lose Benefits When Time Limit Imposed

The three-month time limit is now in effect in areas with about 30 percent of the U.S. population; the rest of the country has had sufficiently high and persistent unemployment still to qualify for waivers, although as just noted, this is the last year that will be the case.⁵ As the economy continues to improve, the vast majority of the country will no longer qualify for these waivers.

As waivers disappear across the country, some nondisabled childless adults subject to the three-month limit will be able to meet the requirements necessary to maintain SNAP eligibility, such as finding at least half-time work, participating in job training for at least 20 hours a week, or qualifying for an exemption. But we estimate that many — approximately 1 million poor individuals — will lose SNAP benefits after three months of participation. (We developed this estimate using historical SNAP administrative data; data from USDA on historical trends in states' usage of waivers; and current county-level unemployment data, used to project 2016 waiver eligibility.⁶)

⁵ We use the distribution of the overall population as a proxy for the distribution of poor nondisabled childless adults receiving SNAP because SNAP administrative data don't identify these individuals by state and county. We effectively assume that able-bodied adults without dependents subject to the time limit are equally distributed throughout the population.

⁶ The estimate assumes that states that have historically sought waivers for sub-state areas with sufficiently high unemployment will continue to do so and that states will provide qualifying work slots to the extent they have in the past.

The recent history of states that have re-imposed the three-month limit is illustrative. In fiscal year 2014, Kansas, Ohio, and Oklahoma were three of the states that re-imposed the time limit after several years of statewide waivers. Three months after the time limit took effect, each state's caseload dropped significantly. While caseloads had been slowly declining (as is typical when unemployment falls) even before re-imposition of the time limit, the drop accelerated substantially three months after the time limit returned.

For example, Kansas re-imposed the time limit in October 2013, with the first childless adults losing eligibility three months later, in January. The caseload decline expected due to the improving economy — about 3,000 to 4,000 participants per month — suddenly accelerated in January to about 15,000 individuals, then returned to its previous pace (see Figure 1). None of these three states offered workfare or job training to all nondisabled childless adults at risk of losing benefits.

Ohio County Illustrates Potential Problems as Waivers Expire

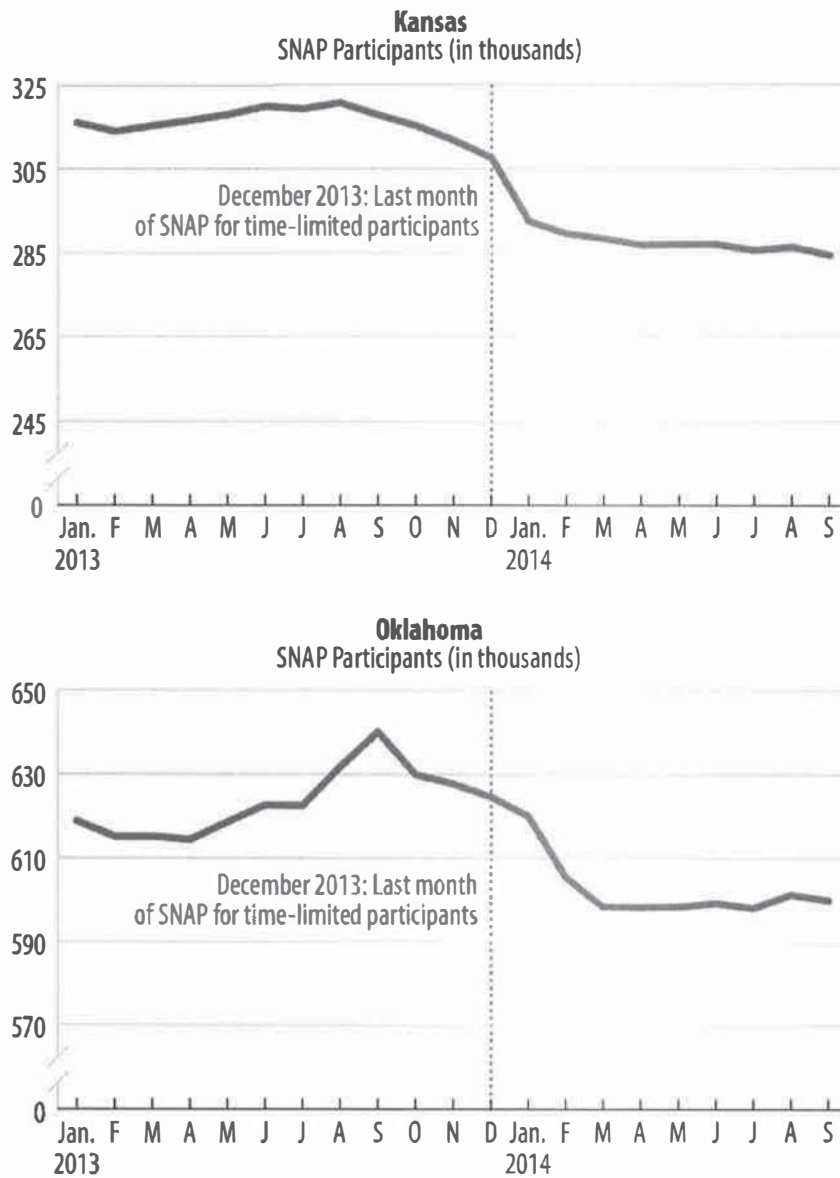
A significant share of the more than 3,000 nondisabled childless adults in Franklin County, Ohio who became subject to the three-month cut-off after Ohio re-imposed the time limit there in December 2013 faced multiple barriers to employment, according to a study conducted by the Ohio Association of Foodbanks. The findings highlight the issues that other states may face as their waivers expire.

- **Demographics:** Close to one-third of those subject to the three-month limit had never graduated from high school. Just over 10 percent were working for pay at the time their benefits were terminated; another 10 percent were performing work in exchange for in-kind benefits such as housing.
- **Barriers to employment:** One-third of those subject to the three-month cut-off had a medical or physical limitation, including depression, post-traumatic stress disorder, or mental or learning disabilities. Fifteen percent needed supportive services like language interpretation or transportation to obtain employment. In addition, 13 percent reported being caregivers for a parent, relative, or friend. Finally, just about one-third had felony convictions, another barrier to employment.

For more information, see "A Comprehensive Assessment of Able-Bodied Adults Without Dependents and Their Participation in the Work Experience Program in Franklin County, Ohio," <http://admin.ohiofoodbanks.org/uploads/news/WEP-2013-2014-report.pdf>.

FIGURE 1

States Implementing SNAP Time Limit Produced Sudden Drops in SNAP Participation



Source: Agriculture Department SNAP participation data

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Affected People Are Extremely Poor

Unemployed, nondisabled childless adults on SNAP tend to be very poor. USDA data show that while these individuals participate in SNAP their gross income averages 19 percent of the poverty line — about \$2,200 *per year* for a household of one in 2014 — compared to gross income of 58.5 percent of the poverty line for the average SNAP household overall. Over 80 percent of the people subject to the three-month limit live in households with incomes below half of the poverty line (see Figure 2). Some 96 percent of them live in households below 100 percent of the poverty line.

Some 40 percent of this vulnerable population are women. Almost one-third are over age 40. Among those who report their race, about half are white, a third are African American, and a tenth are Hispanic. Half have only a high school diploma or GED. They live in all areas of the country; among those for whom data on metropolitan status are available, about 40 percent live in urban areas, 40 percent in suburban areas, and 20 percent in rural areas. (See Figure 3.)

FIGURE 2

Childless Adults Subject to the Time Limit Have Very Low Incomes While Receiving SNAP

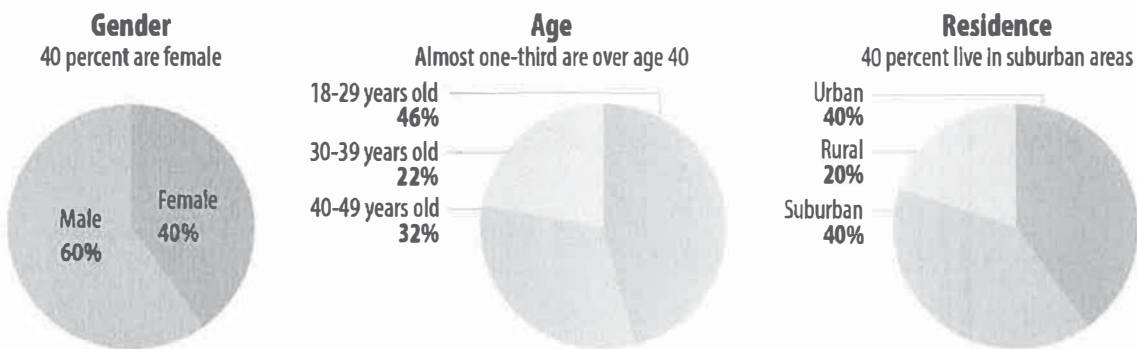


*About 1 percent have incomes above 130 percent of poverty.
Source: CBPP Analysis of the 2013 SNAP Household Characteristics data.

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FIGURE 3

Nondisabled, Childless Adults Are a Diverse Group



Source: CBPP analysis of the 2013 SNAP household characteristics data and March 2014 Current Population Survey data.

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Other kinds of assistance won't replace the lost SNAP benefits. SNAP is the only benefit available to most unemployed workers without children. All but a few states have eliminated their state-run cash assistance programs for poor childless adults (except, in some states, for people with a disability). Most unemployed workers on SNAP either don't qualify for unemployment insurance or any other federal or state cash or food assistance benefit or are long-term unemployed workers who have exhausted their unemployment benefits.

Labor-Market Opportunities for These Individuals Are Limited

There is little evidence that SNAP participation discourages nondisabled adults from working when jobs are available. These generally are low-income, low-skill workers with limited job prospects. SNAP participants subject to the three-month cut-off are more likely than other SNAP participants to lack basic job skills like reading, writing, and basic mathematics, the Government Accountability Office (GAO) has found.⁷

While the economy is improving and the national unemployment rate is falling slowly, the labor market remains weak, particularly for low-skilled, less-educated individuals such as those who face the three-month cut-off.

- The unemployment rate for people lacking a high school diploma or GED — who make up about a quarter of all non-disabled childless adults on SNAP — stood at 9 percent in an average month of 2014 to date.⁸ Unemployment rates for workers in many lower-skilled occupations, such as the service industries, are also substantially higher than the overall unemployment rate.
- The employment-to-population ratio — the share of the adult population with a job (which is considered one of the best measures of labor-market strength or weakness since, unlike the unemployment rate, it isn't lowered artificially when long-term unemployed workers give up looking and drop out of the labor force) — plummeted during the Great Recession and remains well below pre-recession levels.
- Long-term unemployment hit record highs in the recession and remains unusually high; in November 2014, more than three in ten (30.7 percent) of the nation's 9.1 million unemployed workers had been looking for work for 27 weeks or longer. Workers who, at a given point in time, have been unemployed for more than six months are only half as likely as those unemployed for shorter periods to have found employment by one year later.
- Many of the jobs being created in the recovery are low paying and part time — in some cases for less than 20 hours a week — so some people who manage to find jobs may qualify for, and need, SNAP — and be subject to the three-month cut-off.

Complexity of Time Limit May Cause Even More People to Lose Benefits

SNAP's time limit is complex and presents substantial administrative challenges. Additional SNAP participants risk having their benefits cut off after three months despite being exempt from the three-month limit — or being in compliance with it.

⁷ "Food Stamp Employment and Training Program," United States General Accounting Office (GAO—3-388), March 2003, p. 17.

⁸ This is the 2014 average through November. Bureau of Labor Statistics.

Tracking Months of Eligibility

To determine whether a nondisabled childless adult is eligible for SNAP, a state must identify the individual as a nondisabled childless adult, determine whether an exemption applies, and (for those not found exempt) determine for each month whether the individual worked or participated in a work or job training program for the required number of hours. In addition, the state must track the 36-month period for each individual in order to determine whether the three-month limit has been reached. This is the only provision in SNAP law that requires counting and tracking months in this way, and it necessitates special computer programming and staff training.

Over the last several years, many states, driven by the demands of the Affordable Care Act, have designed, built, and implemented new automated eligibility systems. This technological improvement occurred while the majority of states had statewide waivers from the three-month limit and thus no need to track individual months in order to apply the three-month limit. Some states may not yet have programmed their systems to operationalize the time-limit rules. Many states will need to move quickly to review and revise their computer technology and rules to accommodate the monthly tracking of SNAP participants subject to the time limit.

Ensuring That No One Inadvertently Loses Benefits

Our estimate that 1 million people will lose food assistance doesn't include people who are supposed to be exempt from the time limit. When the three-month limit again takes widespread effect, states are supposed to assess each childless adult to determine whether an exemption applies, in order to ensure that people who are unable to work continue to qualify for SNAP. If states fail to do so accurately, some individuals could lose food assistance inappropriately.

For example, states may not always provide adequate guidance for caseworkers to identify people with temporary disabling injuries or mental illness who are unable to work for a period of time and thus are supposed to be exempt. Many SNAP participants are unaware that temporary disabling injuries can qualify someone for an exemption. (See the box for more on implementation issues.)

The challenges involved in implementing the three-month limit require state administrative resources. There is risk that some under-resourced SNAP agencies may inadvertently allow some childless adults to fall through the cracks.

Designing Training Programs That Allow People to Retain SNAP Eligibility

While states are not required to provide a training opportunity or connection to a job, some states use a portion of their SNAP employment and training (E&T) programs to provide activities that enable some individuals to continue to receive benefits. Only a limited number of work-related activities, however, count toward the 20-hour-per-week requirement. One activity that does *not* count is job search — states' most common and least expensive type of SNAP E&T activity, which requires an individual to apply for a designated number of jobs within a specified time period.⁹

⁹ Up to ten hours of job search can count toward the 20-hour requirement — but *only* if the job search is part of a more comprehensive training activity funded by either the Workforce Innovation and Opportunity Act (WIOA) or the Trade Adjustment Act (TAA). Most job search activities for SNAP participants are administered by the state human services agency, however, and are *not* funded through WIOA or TAA — and hence don't count toward the 20-hour requirement.

Communities and Service Providers Need Advance Warning

States have limited options to minimize the harsh impact of the three-month time limit once a waiver is no longer available. States with an impending return of the three-month limit need to prepare heavily affected local communities for the loss of federal food assistance on a substantial scale.

Community groups and service providers such as food banks, homeless shelters, low-income veterans' groups, job training centers, and health clinics count on SNAP as a resource for their clients. They need to know these individuals will face added challenges in meeting basic needs.

With affected people losing an average of \$150 to \$200 a month in benefits, food banks, pantries, and soup kitchens can expect a sustained increase in food requests. Many food banks likely will need to raise additional funds to meet increased demand. Private charity, however, cannot fully replace the lost SNAP benefits: the loss of benefits for 1 million people just for a few months exceeds total federal funding for food banks nationwide for all of fiscal year 2015.

Shelters may see an increase in need as some people forgo rent payments to buy food. Health care providers may need to know when a patient's food budget is slashed in order to manage medications and other treatments. Employment programs serving ex-offenders and others facing substantial barriers to employment may find their clients with even fewer resources as they look for work.

While federal law requires states to inform individuals subject to the three-month time limit about their eligibility, it doesn't require states to inform other stakeholders of the re-imposition of the limit, and some state officials may not wish to draw attention to the fact that hundreds or thousands of poor residents could face increased hardship and hunger. Yet organizations that serve this population will need information about the change since it will have a large impact on the people they serve.

Congress Could Avert or Reduce Potential Harm from Three-Month Limit

The three-month limit for childless nondisabled adults is one of the most severe eligibility restrictions in SNAP. One effective way policymakers could moderate hunger and hardship among low-income people would be to alter the three-month rule so it truly functions as the work requirement its proponents often mistakenly portray it as being — that is, as a work requirement that tests an individual's willingness to work by offering a job or position in a work or training program or requiring job search. Such an approach requires a state to offer a job or training position or other work activity, or to require job search, for all nondisabled childless adults subject to the limit.¹⁰ Those who fail to comply lose their benefits. Those who comply do not.

Other potential changes could mitigate the rule's harshness by being more realistic about this population's employment prospects. For example, the time limit could be increased from three to six months, based on research showing that the average duration of SNAP benefits for childless

¹⁰ States now have the option to "pledge" to offer a qualifying activity to everyone subject to the time limit. States that do so receive modest additional federal funding. However, only Delaware, South Dakota, and parts of Colorado, Texas, and Wisconsin have made this pledge for 2015.

adults was six months prior to enactment of the time limit, and also reflecting the fact that the typical duration of state unemployment benefits is six months. This would give unemployed individuals a more realistic amount of time to find 20 hours a week or more of employment. In both 2002 and 2008, the Senate voted on a bipartisan basis to extend the limit to six months.¹¹

Still another improvement would be to expand the kinds of allowable work activities, and in particular, to include job search. Modestly increasing the funding for SNAP E&T also could help states provide more work activities and opportunities for the indigent individuals subject to the time limit.

Conclusion

The return of the three-month limit on SNAP benefits for unemployed, nondisabled childless adults will have far-reaching impacts on low-income SNAP participants. The loss of benefits will likely increase hardship for these 1 million unemployed Americans who rely upon SNAP to meet their basic nutritional needs. With Congress unlikely to act, states need to begin planning for the reduction to ensure that clients and the many organizations and SNAP stakeholders that work with them are aware of the upcoming change and its effects.

¹¹ S. 2302 (2008) and S. 1731 (2002), available at <http://www.thomas.gov>.